

Message Text

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C O N F I D E N T I A L CAIRO 3746

EXDIS

E.O. 11652: GDS
TAGS: EINV, ETRD, EG, US
SUBJ: FORD PROJECT: LASTEST DEVELOPMENTS

REF: CAIRO 2611

1. SUMMARY. FORD REP OUROUSSOFF CALLED ON AMBASSADOR TO PROVIDE UPDATE ON COMPANY'S INVESTMENT PROPOSAL. THE SITUATION IS QUITE CONFUSED, WITH DIFFERING SIGNALS FROM DIFFERENT PARTS OF GOE, ANC CHANGES IN PERSONS INVOLVED ON EGYPTIAN SIDE ARE NOT HELPING MATTERS. A SERIES OF NEW DEMANDS HAS ALSO COMPLICATED MATTERS. END SUMMARY.

2. NICHOLAS OUROUSSOFF OF FORD EGYPT BRIEFED AMBASSADOR AND EMBOFFS MARCH 3 ON WHERE MATTERS CURRENTLY STAND. HE WENT QUICKLY OVER RESULTS OF VISIT OF TECHNICAL TEAM LAST MONTH, REFTEL, AND PROPOSED MEETING MARCH 19 AT MINISTERIAL/FORD/VP LEVEL (WILLIAMS) WHICH WOULD BE FACILITATED BY HAVING OUROUSSOFF PROVIDE ANY ADDITIONAL MATERIALS THAT WERE NEEDED BY EGYPTIAN SIDE IN THE INTERIM.

3. WITH DEPARTURE OF ROUSHDI FROM INVESTMENTS AUTHORITY AND HIS REPLACEMENT BY ABDEL MEQUID, OUROUSSOFF ARRANGED MEETING WITH LATTER ON FEBRUARY 27 IN ORDER TO ENSURE HE WAS BRIEFED ON FORD PROJECT--WHICH HE EVIDENTLY WAS. OUROUSSOFF FOUND CONFIDENTIAL

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HIM ACTIVE, ENTHUSIASTIC, ENERGETIC, AND FULLY PREPARED TO MOVE RAPIDLY FORWARD ON THE PROPOSAL. ABDEL MEQUID SAID THAT COMMITTEE ESTABLISHED BY PM SALEM WAS NO LONGER NECESSARY AND WOULD BE DISBANDED, PRESUMABLY BY ABDEL MEQUID, WHO WOULD TAKE CHARGE OF THE ENTIRE MATTER. HE WAS LEAVING FOR WASHINGTON THE NEXT DAY (FEBRUARY 28) AND WOULD BE PREPARED TO MEET WITH FORD PEOPLE THERE SO THAT BY TIME KAISSOUNI WAS READY TO FOCUS ON

THE SUBJECT, FOLLOWING LATTER'S MEETINGS WITH IMF, IBRD, ETC.,
THEY COULD SIT DOWN AND SIGN A PRELIMINARY AGREEMENT.

4. ABDEL MEQUID ADDED THAT HIS INTENTION WAS TO HAVE EVERYTHING
ACCOMPLISHED SO THAT THE FINAL ANNOUNCEMENT COULD BE MADE BEFORE
PRESIDENT SADAT GOES TO THE U.S. IF ANYONE IN THE GOE DID NOT
LIKE WHAT HE WAS DOING, ABDEL MEQUID SAID, "THEY CAN FIRE ME".
IN RESPONSE TO A QUESTION AS TO WHETHER OR NOT HE HAS ANY PROBLEMS
WITH FORD PROJECT AS IT NOW STANDS, HE SAID THERE WERE ONLY THREE
MAJOR ONES:

A. NEW COMPANY MUST HAVE FULL MARKETING RIGHTS THROUGHOUT ME
IN ORDER TO ENHANCE PROFITABILITY OF PROJECT. (ABDEL
MEQUID NOTED THAT PRESENT PROPOSAL ENVISIONS ONLY 30 PERCENT
PARTICIPATION BY FORD IN COMPANY, AND OUROUSSOFF THINKS THE
OBJECTION MAY BE INTENDED TO GET A LARGER EQUITY CONTRIBUTION,
SINCE FORD WOULD NOT WISH TO SEE 70 PERCENT OF SALES
COMMISSIONS GO TO THE OTHER PARTICIPANTS. HE ALSO POINTED
OUT THAT ALTHOUGH SIMILAR ARRANGEMENT EXISTED FOR ALL FORD
PRODUCTS SOLD IN ME AND EASTERN EUROPE PRIOR TO BOYCOTT ACTION,
SOMETHING OF WHICH ABDEL MEQUID MAY BE AWARE, COMPANY IS
NOT LIKELY TO CONSIDER IT UNDER PRESENT CIRCUMSTANCES. IN
PRE-BOYCOTT DAYS, FORD EGYPT WAS WHOLLY-OWNED BY PARENT COMPANY.)
B. FORD'S CASH EQUITY PARTICIPATION, PRESENTLY \$2.5 MILLION,
IS FAR TOO LOW. (RELATED POINT, QUESTION OVER VALUE OF THE
EXISTING PLANT FOR CALCULATION OF TOTAL FORD CONTRIBUTION TO
NEW VENTURE WAS RAISED BY ABDEL MEQUID WHO AGREED THAT MUTUALLY
SELECTED THIRD PARTY COULD SETTLE THE ISSUE.)
C. THE GOE WILL NOT MAKE ANY HARD CURRENCY AVAILABLE. FORD
WILL HAVE TO SEEK THE MONEY FROM COMMERCIAL BANKS OR OTHER
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SOURCES.

D. THERE WAS ONE ADDITIONAL "MINOR" POINT, ABDEL MEQUID'S
CONCERN THAT FORD HAD INFLATED THE COSTS OF ITEMS PROCURED
DOMESTICALLY, FOR THE PURPOSE OF RAISING LOCAL INPUT COMPONENT
TO THE 40 PERCENT FIGURE. FOLLOWING OUROUSSOFF'S PROTEST THAT
THE PRICES HAD BEEN OBTAINED FROM THE GOE COMPANIES DIRECTLY,
ABDEL MEQUID AGREED TO CHECK OUT THE DATA HIMSELF.

5. IN A MEETING WITH HASSAN ABDEL FATTAH OF GOFI WHICH IMMEDIATELY
FOLLOWED, OUROUSSOFF DISCOVERED THAT NOTHING OF WHAT ABDEL MEQUID
WAS DOING WAS KNOWN IN THE GOFI OPERATION. ABDEL FATTAH MONETHE-
LESS "KILLED THE PROPOSAL" IN HIS OWN WAY BY SAYING THAT WHILE
HE THOUGHT THE ENGINE PROJECT ACCEPTABLE, HE WAS OPPOSED
TO THE TRUCK ASSEMBLY PORTION. EGYPT ALREADY HAS A TRUCK
ASSEMBLY PROGRAM (DEUTZ) AND DOES NOT NEED ANOTHER, PARTICULARLY
WHEN THE NEW ONE NEEDS IMPORT PROTECTION AND PRODUCES A PRODUCT
WITH A VERY HIGH COST LOCALLY. OUROUSSOFF REPORTS THIS POSITION,
THE FIRST HE HAS HEARD OF IT DESPITE ALL THE MEETINGS IN WHICH
ABDEL FATTAH PARTICIPATED, WOULD RULE OUT THE ENTIRE PROJECT

SINCE FORD MUST HAVE THE TRUCK ASSEMBLY LINE IN ORDER TO MAKE THE ENGINE PROJECT VIABLE. (MORE ON THES SUBJECT BY SEPTTEL.)

6. IN SUBSEQUENT SESSION WITH GAZZARINE OF NASCAR, OUROUSSOFF FOUND HIM SOMEWHAT CONFUSED OVER STATUS OF THE PROJECT BUT PLEASED TO HAVE BEEN RELIEVED OF CHAIRING THE EARLIER COMMITTEE. HE ADDED THAT THE NEW ONE HAD NOT MET, OR CIRCULATED ANY DOCUMENTS, SINCE FORD TEAM LEFT (DESPITE COMMITMENT TO AT LEAST WEEKLY SESSION MADE TO TEAM). HE CAUTIONED THAT ABDEL MEQUID MAY NOT BE ABLE TO DELIVER ON ALL OF HIS PROMISES AND IN PARTICULAR MAY NOT HAVE AUTHORITY TO DISSOLVE A COMMITTEE FORMED AT PM'S REQUEST.

7. OUROUSSOFF REPORTS THAT HE HAS PASSED ALL THE FOREGOING TO DETROIT BY TELEX, AND HAS ALSO HAD AN HOUR-LONG TELECON WITH WILLIAMS TO DISCUSS STRATEGY. MUCH NOW DEPENDS ON ANY TALKS THAT CONFIDENTIAL

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MAY TAKE PLACE IN WASHINGTON, HE BELIEVES, AND HE IS THEREFORE WAITING. HE ADDED THAT WITH ROUSHDI GONE, THE SOCIO-ECONOMIC BENEFITS STUDY HE REQUESTED MAY NO LONGER BE REQUIRED.

8. COMMENT: WE TEND TO SHARE SKEPTICISM OVER ABDEL MEQUID'S ABILITY TO DELIVER, ESPECIALLY IN TERMS OF HIS PERCEPTION OF HIS OWN ROLE. FAHMY, IN PARTICULAR, HAS STRONGLY-HLED VIEWS AND HAS BEEN INVOLVED IN THE FORD PROPOSAL FOR SOME TIME. WHILE THE AFVANTAGE OF HAVING AN AGREEMENT BEFORE SADAT GOES TO THE U.S. IS OBVIOUS, IT WOULD NOT BE WORTH MUCH IF IT COULD BE MADE TO APPEAR THAT EGYPT HAD BEEN BOUGHT WITH RATHER MINIMAL SUM OF MONEY. FAHMY, AT LEAST, IS WELL AWARE OF VAST POTENTIAL MARKET OPENED TO FORD IF THEY GET OFF THE BOYCOTT, AND IS-- UNTIL NOW--UNWILLING TO HAVE THE COMPANY'S EQUITY (\$2.5 MILLION) LOOK LIKE BAKSHEESH.

9. THUS, WHILE THERE ARE STILL HOEPEFUL SIGNS THAT FORD MAY EVENTUALLY HAVE A PROJECT, THEE ARE OTHERS THAT INDICATE SERIOUS OBSTACLES STILL EXIST. WE WILL APPRECIATE WHATEVER INFORMATION THE DEPARTMENT CAN DEVELOP ON WASHINGTON MEETINS. EILTS

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